

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES FEES AND CLASSIFICATIONS

Docket No. MC96-3

**RESPONSE OF MAJOR MAILERS ASSOCIATION
WITNESS RICHARD BENTLEY TO REQUEST FOR PRODUCTION OF DOCUMENTS
AND INTERROGATORIES OF UNITED STATES POSTAL SERVICE
(USPS/MMA-1-15)**

The Major Mailers Association hereby provides responses of witness Richard Bentley to the following interrogatories of the United States Postal Service: USPS/MMA-1 through 15, filed on October 11, 1996.

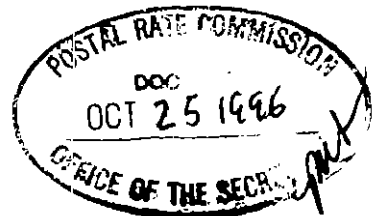
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION

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October 25, 1996



**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-1.

- a. Please provide a list of the current members of the Major Mailers Association.
- b. Please identify which of those members are sponsoring Major Mailers Association's intervention in this docket?
- c. Please identify which of those members are sponsoring your testimony in this docket.

RESPONSE

MMA informs me that its membership is comprised of telecommunications companies, cable television billing companies and trade associations in the communications and utility industries. Members sponsoring MMA's intervention are as follows: Ameritech, AT&T, Bell Atlantic, BellSouth, Cable Services Group, International Billing Services, NYNEX, Pacific Bell, Southwestern Bell and Sprint. These same members are sponsoring my testimony.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-2.

Please supply all information and statistics concerning Major Mailers Association's members use of the following special services or categories of mail:

- a. post office boxes;
- b. certified mail;
- c. return receipts;
- d. return receipts for merchandise;
- e. insured mail;
- f. postal cards; and
- g. registered mail.

RESPONSE

MMA members are major users of post office boxes. They also use certified mail, return receipts, postal cards and registered mail frequently as a regular part of business. Specific statistics for each of these services are not available. MMA's main area of concern is First-Class mail rates; MMA's members spend hundreds of millions of dollars a year on First-Class postage.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-3.

- a. Please confirm that Major Mailers Association is not making any classification, rate, or fee proposals to:
 - i. post office boxes,
 - ii. certified mail;
 - iii. return receipts;
 - iv. return receipts for merchandise;
 - v. insured mail;
 - vi. postal cards; and
 - vii. registered mail.
- b. If you are unable to confirm any part of subpart (a), please explain in detail what proposal(s) Major Mailers Association is making.

RESPONSE

Please see my testimony at page 1, lines 5 through 7 and at page 7, lines 5 through 20. Although MMA is not proposing changes in the rates, classifications or fees of the listed special services, it believes that the Commission should not act upon the Postal Service's proposed changes until after the Postal Service provides the "actual and projected cost information reflecting the cost attribution methods used to develop the rates recommended by the Commission in Docket No. R94-1" (Order No. 1134, p. 2), as required by Order Nos. 1120 and 1126. MMA also believes that the Service should be required to disclose this information in future proceedings--and to do so at the outset--and that the Commission should adopt a filing rule to that effect.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-4.

At page 1 of your testimony, you state that the purpose of your testimony "is to oppose the Postal Service's proposal to establish new rates and classifications without disclosing information showing the consequences of using the Commission-approved methodology for attributing city carrier delivery costs."

- a. Are you asking the Commission to reject each of the Postal Service's proposals in this docket?
- b. If not, please explain in detail what you are proposing that the Commission do.

RESPONSE

Please see my answer to Interrogatory USPS/MMA-3.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-5.

At page 2 of your testimony, you indicate that the Commission should not "decide this case on a record that shows the consequences of apportioning city delivery costs only by use of a nonapproved costing methodology." If the Postal Service had provided FY 1995 costs using the Commission's methodology in a library reference, would the record then show the consequences of apportioning city delivery costs under the Commission's methodology? Please explain in detail.

RESPONSE

I am not an attorney. However, Counsel advises me that, in Docket No. R94-1, where the Commission provided cost information in the form of a library reference, the Commission stated: "The normal rules of evidence apply with respect to the material in these library references. To enter them directly into the record, a stipulation or an attesting witness will be required," (Presiding Officer's Ruling No. R94-1/38, p. 8). Therefore, it would depend on whether a Postal Service witness sponsored the library reference.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-6.

At page 2 of your testimony, you state "I do not believe that the Commission should use a methodology for one set of services in one case that apportions attributable costs in ways that are significantly different from the methods used for other postal services in other cases."

- a. To what other specific postal services are you referring?
- b. To what other specific cases are you referring?

RESPONSE

My statement refers to all postal subclasses and services whose rates or fees were considered during the last Omnibus rate proceeding, Docket No. R94-1 and recent classification proceedings, as well as to subclasses and services whose rates or fees will be considered in any future proceedings.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-6.

At page 2 of your testimony, you state "I do not believe that the Commission should use a methodology for one set of services in one case that apportions attributable costs in ways that are significantly different from the methods used for other postal services in other cases."

- c. Please explain in detail each way in which the Postal Service apportions attributable costs in this case that is significantly different from each way in which the Commission has apportioned attributable costs in Docket No. R94-1 on Reconsideration. In giving your explanation, please specify each cost segment and component in which such significant differences occur.

RESPONSE

In Order No. 1120 the Commission noted that "examination indicates the Postal Service does not reflect, for Base Year 1995 or Test Year 1996, the Commission's city delivery street time single subclass stop analysis, purchased transportation nonpreferential Alaskan or Hawaiian air analyses, or special delivery messenger fixed attribution" (p. 2).

Please refer also to Order Nos. 1126 and 1134 which explain how "the Service supports its requests with costs using methods different from those recently approved by the Commission..." (Order No. 1134, p. 3).

In its August 2, 1996 Statement Concerning Order No. 1126, the Postal Service noted (p. 1) that "certain [of the Commission's costing] methodologies are not employed, because the Postal Service believes they are fundamentally flawed," adding that (p. 5) the Service would "decline to provide any costing presentation which incorporates the Commission's single subclass cost analysis."

The Commission has found that "the Service is in the best position to apply approved attribution and distribution methodologies to its accrued cost data, and that it was neither unduly

MMA WITNESS: RICHARD BENTLEY
USPS/MMA-6(c)

burdensome nor otherwise unreasonable to direct the Service to submit this information for the use of participants and the Commission" (Order No. 1134, p. 4). In view of this finding, I have not attempted to make the detailed calculations requested in this Interrogatory. In Order No. 1126 (p. 9), the Commission explained the problems that participants would encounter if they attempted to make such calculations on their own.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-6.

At page 2 of your testimony, you state "I do not believe that the Commission should use a methodology for one set of services in one case that apportions attributable costs in ways that are significantly different from the methods used for other postal services in other cases."

- d. Please explain in detail what you consider a significant difference.
- e. When you speak of a significant difference, are you referring to absolute dollar differences, percentage differences, or both? Please specify upper and lower bounds for what you consider to be significant.

RESPONSE

Significant differences in cost methodology occur when they can impact upon a rate. For example, a cost methodology difference might raise a preferential subclass' total attributable cost by, say, \$5 million. In order to be lawful, if such a change requires that the rate be increased by one-tenth of one cent or more (as in the case for second class nonprofit) or one cent or more (as in the case for library rate), then that difference is significant.

With respect to First-Class Mail, a difference of \$5 million may not be significant because of the larger volumes involved. However, I find a difference of just \$60 million to be very significant. Such a difference would have completely covered my proposal for a 2-cent discount in the second and third additional-ounce rates that I made in Docket No. MC95-1.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-7.

On page 2, lines 14-15 of your testimony, you indicate that the Postal Service's use of its methodology "may not impact the Service's proposed rates significantly in this proceeding...."

- a. Have you performed any analysis of the impact on the Postal Service's proposals in this docket of using the Commission's methodology?
- b. If so, please provide that analysis, including all supporting spreadsheets, workpapers, and other related documents.

RESPONSE

No. However, I am aware that, according to the Commission, "the Postal Service contends that except for Special Delivery, these differences [in cost coverages among Special Services] are inconsequential" (Order No. 1126, p. 3) and that the Service "admits that its refusal to incorporate approved costing methods has a material impact on the contribution level of one of the services that would be directly affected by its request" (Order No. 1134, p. 7).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-7.

On page 2, lines 14-15 of your testimony, you indicate that the Postal Service's use of its methodology "may not impact the Service's proposed rates significantly in this proceeding...."

c. If not, why not?

RESPONSE

Please see my responses to Interrogatories USPS/MMA-6(d) and (e) and USPS/MMA-7(a) and (b). I am also aware that the Commission stressed that "It should not be left to the parties or the Commission to disentangle the effect of the Postal Service's proposed changes to established attribution methods from the effects of its proposed changes in fees" (Order No. 1126, p. 12).

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-8.

On page 2, lines 16-17 of your testimony, you indicate that the Commission should use "consistent cost allocation methodologies in all of its rate proceedings."

- a. Is it your testimony, that the Commission's cost allocation methodology in this case (PRC-LR-1 and 2) is "consistent" with its recommended decisions in Docket Nos. R90-1 (initial), R90-1 on Remand, R94-1 (initial), and R94-1 on Reconsideration? Please explain in detail.

RESPONSE

The word "consistent" is a relative term without a precise meaning in the context used here. My dictionary defines consistent as "conforming to the same principles or course of action " In Order No. 1134 (p 16), the Commission stated that its cost presentation in this case, as provided in PRC-LR-1 and 2, "us[es] the established methodology of single subclass stops" and "us[es] approved methods." In the introduction to PRC-LR-2 the Commission states that "[T]he basic operation of the Commission's cost model is the same as in the last omnibus rate proceeding, Docket No. R94-1." (no page number). I accept the Commission's representations.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-8.

On page 2, lines 16-17 of your testimony, you indicate that the Commission should use "consistent cost allocation methodologies in all of its rate proceedings."

- b. Is it your testimony, that the Commission's cost allocation methodologies in its recommended decisions in Docket Nos. R90-1 (initial), R90-1 on Remand, R94-1 (initial), and R94-1 on Reconsideration are "consistent"? Please explain in detail

RESPONSE

Please see my answer to Interrogatory USPS/MMA-8(a).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-8.

On page 2, lines 16-17 of your testimony, you indicate that the Commission should use "consistent cost allocation methodologies in all of its rate proceedings."

- c. Why do you believe that the Commission should use consistent cost allocation methodologies?

RESPONSE

The Commission should use consistent cost allocation methodologies in order to perform its statutory obligations under the Postal Reorganization Act. It is considerably easier for the Commission to project costs when establishing new rates, and to carry out its other responsibilities, when postal costs are comparable from case to case and from year to year. In Order No. 1134 (p. 3), the Commission "emphasized the importance of using methodologically *consistent cost analyses* when evaluating the absolute and relative changes in institutional cost contributions..." (Emphasis added). The Commission also used the word "consistent" three times in one paragraph when describing the role of a precedent cost attribution methodology (Order No. 1126, page 10).

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-8.

On page 2, lines 16-17 of your testimony, you indicate that the Commission should use "consistent cost allocation methodologies in all of its rate proceedings."

- d. Please explain in detail how use of consistent cost methodologies allows for consideration of improved costing methodologies.

RESPONSE

I do not see any conflict. The Commission's cost attribution methodology has evolved over the past twenty five years and, hopefully, has improved over that time. Improved costing methodologies do not necessarily result in inconsistent cost methodologies. It is important to note, however, that when an improved cost methodology significantly changes the final results, then the results of the improved cost methodology might not be directly comparable to the results of the previous methodology. In such cases, the two methodologies may or may not be consistent, which I define here as "conforming to the same principles or course of action".

In this case, it appears that the Postal Service's methodology yields results that are significantly different from the Commission's methodology. As stated in my testimony and illustrated in MMA-LR-1, the Postal Service attributes \$1.1 billion less than the Commission. The Postal Service also transfers \$130 million of attributable costs (as classified by the Commission) from other subclasses to First-Class Mail and \$175 million of attributable costs (as classified by the Commission) from third-class (Standard) advertising mail to other subclasses of mail. (A copy of MMA-LR-1 is attached.)

MMA WITNESS: RICHARD BENTLEY
USPS/MMA-8(d)

Because of these differences, the Postal Service and Commission methodologies could be considered consistent with one another, under a very broad definition of the word consistent, because of the many similarities. On the other hand, because of the significant differences in the way city delivery carrier costs are attributed, I would consider the two methodologies to be inconsistent from one another.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-8.

On page 2, lines 16-17 of your testimony, you indicate that the Commission should use "consistent cost allocation methodologies in all of its rate proceedings."

- e. Please explain in detail how use of consistent cost methodologies allows for correction of errors.

RESPONSE

Correction for errors will always result in cost methodologies that are consistent, by definition, regardless of whether the resulting differences are significant. For example, suppose the unit cost for a particular subclass is 10 cents. Then suppose after correcting for some error it increases by 10% to 11 cents. This increase is certainly significant but the methodology has not changed. In such a case it would not be valid to compare this unit cost over time unless the error was corrected in all instances or some kind of adjustment was made. If the error changed the result by only a small amount, such as 1%, then a unit cost comparison over time would probably still be valid.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-9.

On page 2, line 18 of your testimony, you refer to "the Commission-approved cost methodology."

- a. What is the Commission-approved cost methodology? Please explain in detail.

RESPONSE

The Commission-approved methodology is that utilized by the Commission in the most recent rate case, Docket No. R94-1. See Order No. 1126 at the bottom of page 1 and the middle of page 7. The Commission also stated: "To carry out its duty to provide a consistent set of cost attribution principles, the Commission attaches precedential weight to pertinent attributable cost definitions and methods applied by the Commission in the most recent proceeding in which they were litigated. In most instances, these will be the definitions and methods applied by the Commission in the most recent omnibus rate proceeding. The currently applicable precedents are found in the Commission's Further Recommended Decision in Docket No. R94-1" (pages 11 and 12).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-9.

On page 2, line 18 of your testimony, you refer to "the Commission-approved cost methodology."

- b. Is it the cost methodology used by the Commission in its recommended decision in R94-1 on Reconsideration? Please explain in detail.

RESPONSE

Yes, please see my answer to USPS/MMA-9(a) and refer to Order No. 1134 where the Commission stated that "[T]he current, established method for attributing city carrier costs is the method used to develop the rates recommended by the Commission and accepted by the Governors in Docket No. R94-1" (pages 8, 9).

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-9.

On page 2, line 18 of your testimony, you refer to "the Commission-approved cost methodology."

- c. Is it the cost methodology used by the Commission in this docket? Please explain in detail.

RESPONSE

No. See my answer to Interrogatory USPS/MMA-9(a). However, the cost methodology used by the Commission in this docket is very similar, if not identical. See my answer to Interrogatory USPS/MMA-8(a).

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-9.

On page 2, line 18 of your testimony, you refer to "the Commission-approved cost methodology."

- d. Is it the cost methodology used by the Commission in some other docket?
Please explain in detail.

RESPONSE

Please see my answers to Interrogatory USPS/MMA-9(a) and (b)

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-10.

On page 3 of your testimony you state that the Commission "should require the Service to provide the information using the Commission's approved cost apportionment."

- a. Do you believe the Commission should require this of the Postal Service in this docket?

RESPONSE

Yes. If the Postal Service is not required to provide this cost information in this docket, the Service will be encouraged to file its next rate case with evidence that shows only its own non-approved cost methodology. The Service will be encouraged to refuse again to provide a cost presentation using the Commission-approved methodology. See also my answer to USPS/MMA-3.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-10.

On page 3 of your testimony you state that the Commission "should require the Service to provide the information using the Commission's approved cost apportionment."

- b. If so, why do you believe this should be required in light of PRC-LR-1 and PRC-LR-2? Please explain in detail.

RESPONSE

The library documents to which you refer are helpful in terms of pointing out the degree to which the results from each of the two cost methodologies differ. But the time has come--and is long overdue--to hold the Service to its obligation to support its rate and classification filings by showing costs based upon the Commission-approved methods, as well as the Service's preferred methods. The Service ought to end its refusals to obey the Commission Orders requesting such information. By requiring this information to be filed in this case--and by adopting a regulation requiring such information to be submitted with the Service's filings in any future cases--the Commission can insure that such information will be filed at the outset of future cases, thus reducing delay and unnecessary litigation. If, however, the Postal Service is not required to provide the information in this docket, it will be encouraged to believe that it will not have to provide similar information in the next rate case.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-11.

Please explain in detail how the respective "revenue burden" of First-Class Mail and Standard Mail is at issue in this docket.

RESPONSE

The revenue burdens of First-Class Mail and Standard Mail are not specifically at issue in this case. My testimony measures the change in the respective revenue burdens, under the Postal Service's and Commission's cost methodologies, and finds that those differences are so significant that they illustrate the importance of choosing an appropriate, consistent methodology. This prolonged debate about attributable cost methodologies has been exhaustive. The Commission has made its decision. Although the Postal Service should be free to ask the Commission to revise the approved methodology, there is no excuse for the Service to continue refusing to provide costing information using the Commission-approved methodology, as well as its own methodology. This proceeding, including my testimony, illustrates the importance of providing information that will allow the Commission to judge the revenue burdens and cost coverages attributable to the different methodologies for all subclasses and services. See also Order No. 1126 at the bottom of page 6 through the middle of page 7.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-12.

Please explain in detail how the specific Postal Service proposals in this docket affect the respective "revenue burden" of First-Class Mail and Standard Mail.

RESPONSE

Please see my testimony at page 5, lines 4 through 13 and my response to Interrogatory

USPS/MMA-11.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-13.

On page 4, lines 18-20 of your testimony, you state that "it would have been helpful to have access to calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs, presented by a Postal Service witness "

- a. Would it be "helpful to have access to calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs, presented on the record by" a Commission witness? Please explain in detail.

RESPONSE

Yes. However, this is not the same as having a Postal Service witness provide this information on the record. Counsel advises me that the Postal Service has the burden of proving its case, and that it is the Postal Service's obligation to come forward with evidence conforming to lawful orders of the Commission.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-13.

On page 4, lines 18-20 of your testimony, you state that "it would have been helpful to have access to calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs, presented by a Postal Service witness."

- b. Is it your belief that the Postal Service has a better understanding of the "calculations of the Commission methodology" than the Commission or its staff? If so, please explain in detail all bases for your belief.

RESPONSE

I agree with the Commission's statement, in Order No. 1134 (p 4), that "the Service is in the best position to apply approved attribution and distribution methodologies to its accrued cost data...." In this regard, the Commission recognizes that the Postal Service has sufficient resources to understand and replicate the Commission's cost methodology from any previous docket and in this proceeding. Moreover, the Commission found in Order No. 1126 (p. 15) that "[T]he Postal Service already demonstrated its ability to make the base year adjustments necessary to conform to the established attribution methods. See Docket No. MC93-1, USPS-LR-SP 19, PRC Version of Audited 1992 CRA and accompanying workpapers."

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-13.

On page 4, lines 18-20 of your testimony, you state that "it would have been helpful to have access to calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs, presented by a Postal Service witness."

- c. What would be the role of the Postal Service witness in presenting "calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs?" Would the Postal Service witness be expected to attest to the accuracy of the calculations underlying the Commission methodology? Would the Postal Service witness be expected to attest to the validity of the theories underlying the Commission's methodology? Would the Postal Service witness be expected to replicate the Commission's methodology, including any errors? Please explain in detail.

RESPONSE

See my response to Interrogatory USPS/MMA-13(b). The Service has argued to the Commission that a Service witness would have difficulties in testifying as to the Commission's methodology, along the lines suggested in this Interrogatory, but the Commission has not found those arguments to be valid. (See Order No. 1126, pages 5, 12 & 15. See also Docket No. R94-1, Presiding Officer's Ruling No. R94-1/38, p 7.)

The Commission has already described the role of a Postal Service witness in Order No. 1126. It stated: "In meeting this burden, the Postal Service is not required to affirm the theoretical soundness or the practical wisdom of the established methods. It is merely required to affirm that it has provided the parties and the Commission with its best estimate of what the consequences of its proposed changes would be, measured by established costing principles" (p. 12).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-13.

On page 4, lines 18-20 of your testimony, you state that "it would have been helpful to have access to calculations of the Commission's methodology as applied to the Postal Service's base year and test year costs, presented by a Postal Service witness."

- d. If the Postal Service has disclosed or provided all data and information needed to replicate the Commission methodology, why would a Postal Service witness be in a better position than any other intervenor witness, such as you, to present the Commission's methodology on the record?

RESPONSE

Please see the second paragraph of the answers to Interrogatory USPS/MMA-6(c) and 7(b) and my answers to Interrogatories USPS/MMA-13(b) and (c).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-14.

On page 4, lines 3-4 of your testimony, you state "The Postal Service has failed to incorporate the Commission's R90-1 methodology into the Service's Cost and Revenue Analysis (CRA) Reports or its filings in other rate and classification proceedings before the Commission."

- a. Is it your testimony that the Commission's R90-1 methodology is the approved Commission costing methodology that the Postal Service should have used in this docket? Please explain in detail.

RESPONSE

As stated in my answer to Interrogatory USPS/MMA-8(a), the cost methodologies provided by the Commission since Docket No. R90-1 have consistently used the single subclass cost analysis as a basis to attribute city delivery carrier costs. The currently approved methodology incorporates that cost analysis, including all the refinements that have been made since.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-14.

On page 4, lines 3-4 of your testimony, you state "The Postal Service has failed to incorporate the Commission's R90-1 methodology into the Service's Cost and Revenue Analysis (CRA) Reports or its filings in other rate and classification proceedings before the Commission."

- b. Are you referring to the Commission methodology reflected in the Commission's initial recommended decision in Docket No. R90-1 or the recommended decision on remand in Docket No. R90-1?

RESPONSE

It does not matter. The currently approved methodology incorporates the single subclass cost analysis from the original Docket No. R90-1 decision, including all of the refinements that have been made since.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-15.

On page 6, lines 14-17 of your testimony, your present cost coverages for Classroom Publications (81.1 percent), Third-Class Single Piece (59.2 percent), and Library Rate (83.8 percent).

- a. Please confirm that those costs coverages were derived Using FY 1995 RPW revenues and FY 1995 attributable costs from PRC-LR-2 If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-15.

On page 6, lines 14-17 of your testimony, your present cost coverages for Classroom Publications (81.1 percent), Third-Class Single Piece (59.2 percent), and Library Rate (83.8 percent).

- b. Please confirm that USPS-T-5C, page 1 shows FY 1995 cost coverages of 81.8 percent for Classroom Publications (\$10.3 revenue/\$12.6 attributable cost). If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-15.

On page 6, lines 14-17 of your testimony, your present cost coverages for Classroom Publications (81.1 percent), Third-Class Single Piece (59.2 percent), and Library Rate (83.8 percent).

- c. Please confirm that USPS-T-5C, page 1 shows FY 1995 cost coverages of 59.3 percent for Third-Class Single Piece (\$152.3 revenue/\$256.7 attributable cost) If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-15.

On page 6, lines 14-17 of your testimony, your present cost coverages for Classroom Publications (81.1 percent), Third-Class Single Piece (59.2 percent), and Library Rate (83.8 percent).

- d. Please confirm that USPS-T-5C, page 1 shows FY 1995 cost coverages of 83.8 percent for Library Rate (\$46.7 revenue/\$55.7 attributable cost). If you do not confirm, please explain in full.

RESPONSE

Confirmed.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-15.

On page 6, lines 14-17 of your testimony, your present cost coverages for Classroom Publications (81.1 percent), Third-Class Single Piece (59.2 percent), and Library Rate (83.8 percent).

- e. Please confirm that the Postal Service's projected revenues in Docket No. R94-1 (Exhibit USPS-T-7X, page 2) for Classroom Publications, Third-Class Single Piece, and Library Rate "were sufficient to cover the attributable costs." If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

AFFIRMATION

I, Richard E. Bentley, affirm that my Responses to Interrogatories USPS/MMA-1 through 15 are true and correct to the best of my knowledge and belief.

10/22/96
Date

Richard Bentley
Signature

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document (1) upon the U.S. Postal Service by messenger and First-Class Mail and (2) upon the other parties requesting such service by First-Class Mail.

J. W. Plummer
Jeffrey Plummer

October 25, 1996

MMA-LR-1

**Apportionment of "Attributable" and "Institutional" Costs Using
the PRC and USPS Attributable Cost Methodologies
for BY 1995 in Docket No. MC96-3**

**Sponsored by:
Richard E. Bentley**

**On Behalf of:
Major Mailers Association**

September 30, 1996

Docket No. MC96-3

USPS Finances For BY 1995 Using USPS and PRC Cost Methodologies
Docket No. MC96-3
(\$000)

Computation of Attributable Cost Difference									
Line	Subclass	USPS Attrib Costs	PRC Attrib Costs ^{2/}	Difference	PRC Attrib Cost Factor				
						(Col 2 - Col 1)			
1	First Class Letters	\$17,856,472	\$18,392,713	\$536,241	50.18%				
2	Third Class BRR	\$6,145,129	\$6,531,281	\$386,152	36.13%				
3	All Other	\$9,687,755	\$9,834,041	\$146,286	13.69%				
4	Grand Total	\$33,689,356	\$34,758,035	\$1,068,679	100.00%				
Computation of USPS Institutional Cost Apportionment Factors									
						(Col 2 - Col 1)			
						(Col 3 / 1,068,679)			

1/ Exhibit USPS-T-5B, pages 1 and 2
2/ Grand Total less (First-Class Letters + Third Class BRR)
3/ Library Reference PRC-LR-2, Matrix by 951p.1r, Page 50
4/ USPS Witness Petalunas' Workpaper WP-A, pages 129-130

Apportionment of "Attributable" and "Institutional" Costs Using the PRC and USPS Attributable Cost Methodologies for BY 1995 in Docket No. MC96-3

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Line	Methodology	First-Class Letters	Third-Class BBR	Other Subclasses and Services	Total	Ratio of	
						First-Class to	Third-Class
						5	

(Col 1 / Col 2)
(Col 1 / Col 2)

Commission Method:

1 Additional Attributable Costs \$536,241 1/ \$386,152 1/ \$146,286 1/ \$1,068,679 1.39

USPS Method:

2 Apportioned As Institutional Costs \$665,483 2/ \$211,605 2/ \$191,592 2/ \$1,068,679 3.14

3 Difference Due To Method (\$129,242) 3/ \$174,547 3/ (\$45,306) 3/ \$0

4 % Difference Due To Method 124% 4/ 55% 4/ 131% 4/ 100%

Conclusions: For every additional dollar of cost that the PRC's methodology attributes to First Class, the USPS assigns \$1.24 of institutional cost to First Class. For every additional dollar of cost that the PRC's methodology attributes to third class, the USPS assigns \$.55 of institutional cost to third class. For every additional dollar of cost that the PRC's methodology attributes to all other subclasses and services, the USPS assigns \$1.31 of institutional cost to those subclasses and services.

1/ Page 2, Col 3
2/ Apportionment Factor from Page 2, Col 8 * \$1,068,679
3/ Line 1 - Line 2
4/ Line 2 / Line 1